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FISCAL IMPACT STATEMENT

LS 7742

BILL NUMBER: HB 1790

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: Port Commission Powers.

FIRST AUTHOR: Rep. Hasler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes the Indiana Port Commission to construct and finance: (1) maritime and nonmaritime port projects throughout Indiana for the transfer of goods and passengers between all modes of transportation; and (2) nonport projects to promote economic growth and development throughout Indiana. The bill specifies the powers of the Commission with respect to these projects, including the conditions under which the Commission may issue bonds and enter into various agreements.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill expands the Port Commission's authority beyond financing and building port projects on Lake Michigan, the Ohio River, and the Wabash River. In addition to these port projects, the bill authorizes the Port Commission to issue revenue bonds under its current law issuing authority to finance projects involving (1) to (3) below. Under current statute, Port Commission revenue bonds have a maximum maturity of 50 years.

(1) Ports on other water bodies in Indiana.

(2) Nonmaritime port and traffic exchange points throughout Indiana for the transfer of goods and passengers between all modes of transportation.

(3) Any other project, whether located at a port or elsewhere in Indiana, that the Commission finds will enhance, foster, aid, provide, or promote: (a) economic development; (b) public-private partnerships; and (c) other industrial, commercial, business, transportation purposes.

The bill also authorizes the Port Commission to lend the proceeds of any revenue bonds to a borrower under a loan agreement, with the bonds to be secured by the borrower's promissory note and any other security considered advisable and required by the Commission. However, the bill also requires that the loan proceeds be used by the borrower to pay the costs of a statutorily authorized project of the Port Commission.

Under current statute, Port Commission revenue bonds do not constitute a debt, or a pledge of the faith and credit, of the state or political subdivisions of the state. In addition, current statute requires that revenue bonds of the Port Commission be secured with revenues derived by the Commission from fees, tolls, rentals, and other charges for: (1) the use of Commission ports, projects, terminal facilities, and lands; or (2) services rendered by the Commission. Current law authorizes the Port Commission to fix its fees, tolls, rentals, and other charges to provide revenue sufficient to pay its administrative, operation, and maintenance costs and the principal and interest on revenue bond issuances. As a result of the bill, the Port Commission would incur additional administrative expenses relating to the expansion of project financing authority. Additional staffing that may be necessitated by this expansion is unknown at this time. The Port Commission currently has 11 employees staffing its Indianapolis office, with 23 port employees located in Mt. Vernon, Jeffersonville, and Portage.

Explanation of State Revenues: Under current statute, ports and other property of the Port Commission, interest on Commission revenue bonds, proceeds from the sale of the bonds, and receipt of the interest and proceeds is exempt from taxation in Indiana, except for the Financial Institutions Tax and the Inheritance Tax. The bill extends this tax-exempt status to nonmaritime port facilities and nonport projects of the Commission that are authorized by the bill. Thus, the bill could result in the exemption of additional investment income from taxation, to the extent that taxpayers substitute investment in Port Commission revenue bonds for investments in taxable instruments.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current statute, ports and other property of the Port Commission, are exempt from property taxation in Indiana. The bill extends this tax-exempt status to nonmaritime port facilities and nonport projects of the Commission that are authorized by the bill. In addition, the bill extends a current property tax exemption for leaseholds in Port Commission land. Under current law, a lessee's leasehold estate in land that is part of a *port* is exempt from property tax. Under the bill, a lessee's leasehold estate in land that is part of nonmaritime port facilities or nonport projects authorized by the bill is also exempt from property taxation. The bill could potentially affect property tax revenue to local units given that it substantially expands the types of projects that the Port Commission may finance and build. This fiscal impact would arise due to the tax-exempt status of Port Commission property and the property tax exemption relating to land provided to lessees of Port Commission facilities and projects.

State Agencies Affected: Port Commission.

Local Agencies Affected: Local government units.

Information Sources: Indiana Port Commission website, www.portsofindiana.com.

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